

REPORT
ST. MARGARET'S FOUNDATION
JUNE 30, 2013

ST. MARGARET'S FOUNDATION

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JUNE 30, 2013

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INDEPENDENT AUDITOR'S REPORT

June 6, 2014

To The Board of Directors
St. Margaret's Foundation
New Orleans, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of St. Margaret's Foundation (a Louisiana nonprofit organization), which comprise the statement of financial position as of June 30, 2013 and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issue by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. Margaret's Foundation as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-matter

As discussed in Note 9 to the financial statements, the Company is a defendant in a dispute as to ownership in the Mercy property. Our opinion is not modified with respect to this matter.

As mention in Note 6 to the financial statements, the Company is involved in significant commercial transactions with related party.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2014, on our consideration of St. Margaret's Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering St. Margaret's Foundation's internal control over financial reporting and compliance.

ST. MARGARETS FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013

ASSETS

CURRENT ASSETS:

Cash (Notes 1 and 2)	\$ 261,876
Accrued interest	737,703
Due from related party (Note 6)	5,281,316
Prepaid expenses	<u>2,418</u>
Total current assets	6,283,313

PROPERTY AND EQUIPMENT:

(Notes 1 and 3) (net of accumulated depreciation of \$972)	2,719,137
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OTHER ASSETS:

Notes receivable (Note 4)	7,926,071
Due from related party (Note 6)	<u>3,307,439</u>

TOTAL ASSETS	<u><u>\$ 20,235,960</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accrued liabilities	\$ 4,382
Current portion of note payable (Note 5)	<u>179,819</u>
Total current liabilities	<u>184,201</u>

LONG-TERM LIABILITIES:

Note payable (Note 5)	<u>3,306,605</u>
Total long-term liabilities	<u>3,306,605</u>

TOTAL LIABILITIES	<u>3,490,806</u>
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NET ASSETS:

Unrestricted	<u>16,745,154</u>
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TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 20,235,960</u></u>
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The notes to the financial statements are an integral part of this statement.

ST. MARGARETS FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

UNRESTRICTED NET ASSETS:

REVENUE AND SUPPORT: (Note 1)

Development fee income	\$ 5,094,763
Contributions	170,500
Special events income	51,988
Miscellaneous income	152
Interest income	832,547
Total unrestricted revenue and support	<u>6,149,950</u>

EXPENSES:

Program services (Page 5)	4,137,033
Supporting services:	
General and administrative (Page 5)	94,193
Fundraising	12,798
Total expenses	<u>4,244,024</u>

Change in net assets	1,905,926
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NET ASSETS - beginning of year	<u>14,839,228</u>
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NET ASSETS - end of year	<u>\$ 16,745,154</u>
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The notes to the financial statements are an integral part of this statement.

ST. MARGARETS FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Bank charges	\$ -	\$ 606	\$ -	\$ 606
Depreciation	-	972	-	972
Donations	3,868,850	-	-	3,868,850
Fundraising	-	-	12,798	12,798
Insurance	19,085	2,121	-	21,206
Interest	-	4,083	-	4,083
Meals	-	82	-	82
Miscellaneous	-	1,737	-	1,737
Other taxes	-	1,201	-	1,201
Payroll taxes	17,701	1,967	-	19,668
Professional fees	-	55,392	-	55,392
Salaries and wages	231,397	25,711	-	257,108
Travel	-	321	-	321
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenses	\$ <u>4,137,033</u>	\$ <u>94,193</u>	\$ <u>12,798</u>	\$ <u>4,244,024</u>

The notes to the financial statements are an integral part of this statement.

ST. MARGARETS FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 1,905,926
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	972
(Increase) decrease in operating assets:	
Notes receivable	3,719,580
Due from related party	(5,088,755)
Interest receivable	(235,063)
Prepaid expenses	5,440
Increase (decrease) in operating liabilities:	
Accounts payable	(1,904)
Accrued expenses	4,325
Net cash provided by operating activities	<u>310,521</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Loans to related parties	(3,500,000)
Additions to construction in progress	(140,077)
Purchases of property and equipment	(16,481)
Net cash used in investing activities	<u>(3,656,558)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from notes payable	3,500,000
Principal payments on notes payable	(13,576)
Net cash provided by financing activities	<u>3,486,424</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS

140,387

Cash and cash equivalents - beginning of year

121,489

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 261,876SUPPLEMENTAL DISCLOSURES OF
CASH FLOW INFORMATION:

Cash paid during the year for interest	<u>\$ 4,083</u>
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The notes to the financial statements are an integral part of this statement.

ST. MARGARET'S FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

ORGANIZATIONAL PURPOSE:

St. Margaret's Foundation (the Organization) is a Louisiana nonprofit organization established to provide comprehensive healthcare services, nursing facilities, charitable, research, rendering of other services related to health care, rendering rehabilitation services, including purchasing, acquiring, maintaining, operating, developing and leasing real property, and receiving and administering donation of money and services, property, or other things of value along with scientific, literary and educational purposes, for the benefit of the underserved and vulnerable populations.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A summary of the Organization's significant accounting policies applied in the preparation of the accompanying financial statements follows:

Basis of Accounting and Financial Statement Presentation:

The financial statements have been prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

The Organization's financial statements comply with Accounting Standards Codification (ASC) 958, Presentation of Financial Statements for Not-for-Profit Entities. Under ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

The statement of activities presents expenses of the Organization's operations functionally between program services and administrative and general. Those expenses which cannot be functionally categorized are allocated between functions based upon management's estimate of usage applicable to conducting those functions.

Notes and Accounts Receivable:

Accounts receivable are carried at net realizable value. Loans receivable are stated at unpaid principal balances. Management has elected to charge the write-offs of accounts receivable directly to bad debt expense in the year such accounts are determined to be uncollectible. Use of this method does not result in a material difference from the valuation method required by accounting principles generally accepted in the United States of America, as management expects accounts receivable to be fully collectible. No bad debt expense was incurred for the year ended June 30, 2013.

Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amount outstanding.

ST. MARGARET'S FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Contributions:

The Organization accounts for contributions in accordance with Accounting Standards Codification (ASC) 958-605. Contributions received are recorded as unrestricted, temporarily restricted, and permanently restricted support depending on the existence and/or nature of any donor restrictions.

Concentration of Income Sources:

The Organization received approximately 89% of its total revenue from a related party organization.

Income Taxes:

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the financial statements.

Cash and Cash Equivalents:

For purposes of the statement of cash flows, the Organization considers petty cash, cash in banks and investments with an initial maturity of three months or less to be cash equivalents.

Property and Equipment:

Acquisitions of property and equipment in excess of \$1,000 are capitalized. Property and equipment are stated at acquisition cost, or estimated historical cost if acquisition cost is not available. Contributed property and equipment is recorded at fair value at the date of donation. Depreciation is provided for in amounts sufficient to relate the cost of depreciable property and equipment to operations over their estimated useful lives using the straight-line method. Routine repairs and maintenance are expensed as incurred. Estimated useful lives of property and equipment are as follows:

Furniture and fixtures	5 years
Buildings	39 years

Functional Expenses:

The expenses of providing the programs and other activities have been summarized on a functional basis between program and supporting services in the statement of functional expenses. Certain of those expenses have been allocated among the program and supporting services based on estimates by management of the costs involved.

ST. MARGARET'S FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

2. CASH AND CASH EQUIVALENTS:

At June 30, 2013, the Organization maintained several cash balances in one local bank. These bank balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of June 30, 2013 the Organization had deposits in excess of the FDIC insurance limit by \$29,536.

3. PROPERTY AND EQUIPMENT:

Below is a summary of activity in the St. Margaret's Foundation property and equipment accounts during the year ended June 30, 2013:

	Balance April 1, <u>2012</u>	<u>Additions</u>	<u>Deletions</u>	Balance March 31, <u>2013</u>
Buildings	\$ 2,562,812	\$	\$ --	\$ 2,562,812
Furniture and fixtures	739	16,481	--	17,220
Construction in progress	<u>--</u>	<u>140,077</u>	<u>--</u>	<u>140,077</u>
	2,569,551	156,558	--	2,720,109
Accumulated depreciation	<u>(--)</u>	<u>(972)</u>	<u>--</u>	<u>(972)</u>
Net property and equipment	<u>\$ 2,563,551</u>	<u>\$ 155,586</u>	<u>\$ --</u>	<u>\$ 2,719,137</u>

Depreciation expense totaled \$972 during the year ended June 30, 2013.

Buildings are pledged as collateral for notes payable. See Note 5.

During the year ended March 31, 2011, St. Margaret's Daughters Home purchased the Lindy Boggs Medical Center, formerly known as Mercy Hospital. The entire medical facility sustained significant flooding and wind damage from Hurricane Katrina and was subsequently shut down. St. Margaret's Daughters Home created a condominium regime for the Mercy Hospital property. The property consists of structures. The structures are denoted as Building A, Building B, and Building C, which have a combined total of 380,700 square feet. St. Margaret's Daughter Home renovated Building A into a nursing home and health services provider using federal grant funds and subsequently donated Buildings B and C to St. Margaret's Foundation (a related organization).

The Buildings A and B will not be put into operation until rehabilitation of these buildings is completed which cannot be estimated at this time. Therefore, no depreciation expense has been incurred for those assets for the year ended June 30, 2013.

ST. MARGARET'S FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

4. NOTES RECEIVABLE:

Notes receivable were generated in connection with the new markets tax credit financing of construction of a nursing home facility for the elderly (the Project) located at 3525 Bienville Street, New Orleans, LA. St. Margaret's Foundation agreed to make loans to the NMTC Investment Fund in the aggregate amount of \$17,128,700 ("Subordinate leverage loan A") and to extend additional credit on an annual scheduled basis to the NMTC Investment Fund in the aggregate principal amount of \$4,206,321 (collectively, "Subordinate leverage loan B") Notes receivable accrue interest at rate of 4% per annum plus current interest rate equal to LIBOR plus 2% from the date of each advance until paid, currently 4.27%. The outstanding unpaid principal balance and any unpaid accrued interest is due on the maturity date, December 31, 2017. Interest at the current year is paid quarterly. The notes are secured by equity investment in CDEs acquired by the borrower with the proceeds of the loan and any distribution related. As of June 30, 2013 the balance of notes receivable were as follows:

Subordinated NMTC Loan A	\$ 7,295,651
Subordinated NMTC Loan B	<u>630,420</u>
Total notes receivable	<u>\$ 7,926,071</u>

Accrued interest on the notes receivable was \$813,755 at June 30, 2013.

5. NOTE PAYABLE:

On June 24, 2011, the Organization entered into a \$3,500,000 loan agreement with the State of Louisiana, Division of Administration, Office of Community Development; the interest rate is 1% annum. Principal and interest is paid monthly with the outstanding principal due on June 24, 2031. The proceeds of the loan were used by the Organization to make the subordinate construction loan to St. Margaret's Daughters Home, see Note 6. The note is secured by a security agreement, including, security interest in deposit accounts of the Organization established at Iberia and the mortgages on Building B and C of the St. Margaret's Foundation Condominium. The balance on the loan was 3,486,424 as of June 30, 2013.

Future principal payments are as follows:

<u>June 30,</u>	
2014	\$ 179,819
2015	179,671
2016	181,476
2017	183,299
2018	185,140
Thereafter	<u>2,577,019</u>
	<u>\$ 3,486,424</u>

ST. MARGARET'S FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

6. RELATED PARTY TRANSACTIONS:

St. Margaret's Foundation engaged in the following transactions with related parties:

St. Margaret's Daughters Home:

St. Margaret's Daughters Home created St. Margaret's Foundation, a special purpose entity wholly controlled by St. Margaret's Daughters Home with the same board of directors. St. Margaret's Daughters Home acquired the Lindy Boggs Medical Center, formerly known as Mercy Hospital, from the proceeds of a new market tax credit equity investment and the proceeds of a loan from Iberia Bank. St. Margaret's Daughters Home donated Condo B and C of the former Mercy Property to St. Margaret's Foundation and also donated cash to St. Margaret's Foundation. The donations are required as the tax credit requires the flow of funds to go a certain qualified active low income community business. Tax credit eligibility is based on the project, such as community need; therefore, the type of project and location of property play a part in eligibility. The tax credit requires a qualified community agency to steward the project. Related party transactions are detailed below:

During the year ended June 30, 2013, the Organization received a \$170,500 donation from St. Margaret's Daughters Home.

The Organization donated the net proceeds of \$3,859,923 received from the subordinated leverage loan A prepayment to St. Margaret's Daughters Home and various cash donations to St. Margaret's Daughters Home in the amount of \$9,300.

St. Margaret's Foundation made a subordinated construction loan in the amount of \$3,500,000 to St. Margaret's Daughters Home for the construction of the buildings as required by the State of Louisiana, Division of Administration, Office of Community Development loan. The loan bears an interest rate of 1% annum and matures in June 24, 2031.

During the year a development services agreement was signed between the Organization and St. Margaret's Daughters Home for the amount of \$5,094,763, for certain services relating to the development and rehabilitation of the building.

Balance due from St. Margaret's Daughters Home, as of June 30, 2013 was as follows:

Development fee receivable	\$ 5,069,963
Current portion of long-term loan	192,561
Interest receivable	<u>18,792</u>
Total current	5,281,316
Long-term balance of loan	<u>3,307,439</u>
Total	<u>\$ 8,588,755</u>

ST. MARGARET'S FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

7. USE OF ESTIMATES:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

8. DATE OF MANAGEMENT'S REVIEW:

The Organization has evaluated subsequent events through June 6, 2014, the date which the financial statements were available to be issued.

9. SUBSEQUENT EVENT:

In January 2014 a contractor filed a motion seeking a 50% ownership in the Mercy property. Based on preliminary review, the Organization's attorneys feel confident of a favorable outcome for St. Margaret's Foundation.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

June 6, 2014

To the Board of Directors
St. Margaret's Foundation
New Orleans, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial auditors contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of St. Margaret's Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013 and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated June 6, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we St. Margaret's Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the St. Margaret's Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency, 2013-01.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether St. Margaret's Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2013-01.

St. Margaret's Foundation's Response to Findings

St. Margaret's Foundation's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. St. Margaret's Foundation's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering St. Margaret's Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

June 6, 2014

To the Board of Directors
St. Margaret's Foundation
New Orleans, Louisiana

Report on Compliance for Each Major Federal Program

We have audited St. Margaret's Foundation's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the St. Margaret's Foundation's major federal program for the year ended June 30, 2013. St. Margaret's Foundation's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for St. Margaret's Foundation's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about St. Margaret's Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the St. Margaret's Foundation's compliance.

Opinion on the Major Federal Program

In our opinion, the organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2013-02. Our opinion on the Organization's major federal program is not modified with respect to these matters.

The Organization's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned cost. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of St. Margaret's Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered St. Margaret's Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we not express an opinion on the effectiveness of St. Margaret's Foundation internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2013-02.

St. Margaret's Foundation's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. St. Margaret's Foundation's response was not subject to the auditing procedures applied in the audit or compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Duplantier, Hrapmann, Hogan & Maher, LLP

ST. MARGARET'S FOUNDATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Department of Housing and Urban Development:		
Passed Through the Louisiana, Division of Administration		
Loan from Office of Community Development- Disaster Recovery	14.228	\$ <u>3,500,000</u>
Total Expenditures of Federal Awards		\$ <u>3,500,000</u>

ST. MARGARET'S FOUNDATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

1. BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards (the schedule) includes the grant activity of St. Margaret's Foundation under programs of the federal government for the year ended June 30, 2013. The information in this Schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Government, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of St. Margaret's Foundation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of St. Margaret's Foundation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Schedule of Expenditures of Federal Awards of St. Margaret's Foundation has been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to nonprofit organizations. Expenditures are recognized when incurred.

ST. MARGARET'S FOUNDATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

SECTION I - SUMMARY OF AUDITOR'S RESULTS:

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

* Material weakness(es) identified? yes X no

* Significant deficiencies identified that are not considered to be material weaknesses? X yes no

Noncompliance material to financial statements noted? X yes no

Federal Awards:

Internal control over major programs:

* Material weakness(es) identified? yes X no

* Significant deficiencies identified that are not considered to be material weaknesses? X yes no

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133: X yes no

<u>Name of Program</u>	<u>CFDA No.</u>	<u>Expenditure</u>
HUD-Community Development Block Grants	14.228	\$ <u>3,500,000</u>
		\$ <u>3,500,000</u>

The threshold used to distinguish between Type A and Type B programs was \$300,000.

Auditee qualified as low-risk auditee? yes X no

ST. MARGARET'S FOUNDATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

SECTION II - FINDINGS REQUIRED TO BE REPORTED UNDER GENERALLY ACCEPTED
GOVERNMENTAL AUDITING STANDARDS:

2013-01: FILING OF AUDIT REPORT

Condition

State law requires that the audit report must be completed and submitted to the Louisiana Legislative Auditor within six months of the close of the fiscal year.

Criteria

The Organization did not submit the audit report for the year ended June 30, 2013 by the date authorized by the State of Louisiana Legislative Auditor.

Cause

Due to the increase in contract and grant activity, management had difficulties ensuring all transactions were accounted for properly and more time was needed to ensure all transactions were recorded and accounted for.

Effect

St. Margaret's Foundation is not in compliance with State laws. Additionally, receiving information that is not timely or current can significantly impact management's ability to guide an organization.

Recommendation

We recommend that the Organization complete financial information in a timely and accurate manner in order to be in compliance with State filing requirements.

Management's Corrective Action Plan

Management will prepare financial information timely and accurately in order to submit the audit report in accordance with State law.

ST. MARGARET'S FOUNDATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

SECTION III - FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD
PROGRAMS AUDIT:

2013-02: FILING OF SINGLE AUDIT SUBMISSION PACKAGE

Condition

Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires the Organization to submit its Single Audit Reporting Package to the federal clearinghouse no later than nine months after fiscal year-end, unless the Organization's federal oversight agency approves an extension of this deadline.

Criteria

The federal reporting deadline for the Organization's Single Audit Reporting Package was December 31, 2013. The Organization did not issue its Single Audit Reporting Package within the time frame required. There was no extension request made to the Department of Housing and Urban Development.

Cause

Due to the increase in contract and grant activity, management had difficulties ensuring all transactions were accounted for properly and more time was needed to ensure all transactions were recorded and accounted for.

Effect

St. Margaret's Foundation is not in compliance with Federal single audit submission package requirements. Additionally, future grant revenue could be impacted if the Organization continues to be out of compliance with Federal law.

Recommendation

We recommend that the Organization complete financial information in a timely and accurate manner in order to be in compliance with Federal single audit submission package requirements.

Management's Corrective Action Plan

Management will prepare financial information timely and accurately in order to submit the audit report in accordance with Federal law.

SECTION IV - PRIOR YEAR FINDINGS:

None